

# Report Card

TEACHERS' FUND FOR RETIREMENT

MAY 2001

## Legislature Passes Benefit Improvements

Photo by Garry Redman, NDDOT



*Representatives from the TFFR Board, RIO staff, NDEA and NDRTA witness Governor Hoeven signing House Bill 1102.*



### **NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE**

*Teachers' Fund for Retirement  
State Investment Board*

#### **TFFR Board of Trustees**

Mark Sanford, *President*

Barb Evanson      Paul Lofthus  
Norman Stuhlmiller      H.L. "Curly" McLain  
Kathi Gilmore      Wayne Sanstead

#### **RIO Administrative Office**

Steve Cochrane, *Executive Director/CIO*  
Fay Kopp, *Deputy Director/Retirement Officer*  
Shelly Schumacher, *Editor*

#### **ND Retirement and Investment Office**

1930 Burnt Boat Drive, P.O. Box 7100  
Bismarck, ND 58507-7100  
701-328-9885, Toll free: 1-800-952-2970  
[www.discovernd.com/rio](http://www.discovernd.com/rio)

*Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.*

The 57th Legislative Assembly passed House Bill 1102 in almost its original format, although many amendments were considered. The bill signed by Governor Hoeven increases the retirement multiplier from 1.88% to 2.0% for any member who retires on July 1, 2001 or after. Increasing the multiplier to 2.0% achieves the TFFR Board goal of providing a replacement income of 60 percent of a career teacher's final average salary.

If you are retiring this year and would like an updated benefit estimate, contact the administrative office. If you are not retiring this year, your 2001 annual statement (which will be sent to you in August) will include benefit estimates using the 2.0% multiplier. Finally, if you plan

to purchase service credit, the actuarial equivalent cost will also increase as a result of the 2.0% multiplier change. Contact a TFFR Benefits Counselor to discuss how this will impact you.

For teachers who are already retired, House Bill 1102 provides a conditional annual benefit adjustment (CABA) of 0.75% times a retiree's current monthly benefit. The annual benefit adjustment in the original bill would have been available to all current and future retirees. However, the amended version only allows this raise to be granted on July 1, 2001 and July 1, 2002. In addition, on July 1, 2001, current retirees will receive an increase equal to \$2 multiplied by the teacher's years of service plus \$1 multiplied by the number of years since the member's retirement.

*What percentage of your final average salary (FAS) will you receive under the 2.0% formula when you retire?*

Years of Service	Percent of FAS
5	10%
10	20%
15	30%
20	40%
25	50%
30	60%
35	70%
40	80%

## Team TFFR

I've been watching a lot of soccer again this spring. As I hunker down in my portable "quad" chair on these cold spring nights wrapped up in a heavy patchwork quilt, I find my mind occasionally drifting off to thoughts not related to soccer. OK. I'll admit it. I've actually thought about how the changes made by the 57th Legislative Assembly will affect active and retired teachers.

Maybe that's why this legislative-soccer idea got stuck in my head. I mean just look at all the people on Team T.F.F.R. that were responsible for the legislative changes. We saw Coaches, Team Captains, and Players represented by Legislative Leaders, Committee Chairpersons, and individual Legislators. We also heard the strong voices of NDEA, NDCEL, and NDRTA leading the Crowd of active and retired teachers in rousing cheers. Referees and Line Judges – or was it the TFFR Board and its actuarial consultant – followed the players up and down the field as they tried to maintain actuarial balance and stay within boundaries that kept moving.

Like any good soccer game, intensity was high. To participate, everyone involved needed actuarial shin guards, investment jerseys, and pension administration goalie gloves. Signals got crossed once in a while and a few minor scuffles broke out. But there were some awesome goals scored, and even a few opportunities to make the "winning" one. Each time, the ball was deflected by a strong goalie. The team worked hard to accomplish their goals and win the game.

So, what happened and who won?

You may recall that the original TFFR benefit increase bill was approved by the TFFR Board and the interim Legislative Employee Benefits Programs Committee last year. The bill (HB1102) increased the benefit multiplier to 2.00% and provided for



Fay Kopp  
Deputy Executive Director

a monthly benefit increase to all retired members and beneficiaries. The retiree increase was equal to \$2 per year of service plus \$1 per number of years retired for current retirees, plus a 0.75% guaranteed annual benefit adjustment for all current and future retirees.

During the course of the game, many amendments were considered. In the first half of the legislative session, the House made the 0.75% annual retiree benefit adjustment conditioned on an actuarial test. In the second half, the Senate turned the conditional annual benefit adjustment (CABA) into an ad hoc adjustment by approving the 0.75% CABA for July 1, 2001 and 2002 only. Future retiree benefit adjustments must continue to be brought before each Legislature for approval. The final version uses about half of the available actuarial margin now, and saves the remainder for future benefit improvements.

When the final whistle blew on April 5, 2001, Governor Hoeven signed HB1102 authorizing significant benefit improvements for active and retired teachers. The two biggest goals scored were increasing the multiplier to 2.00% for future retirees and raising the average benefit for current retirees to nearly \$1,100 per month.

Even though the game ended in a virtual tie, all TFFR members have something to celebrate. Way to go Team T.F.F.R.!

## NATIONAL PENSION REFORM

Retirement savings and pension reform legislation has once again been introduced in Congress. This bipartisan legislation increases retirement savings opportunities, expands portability, and eliminates cumbersome pension rules. The TFFR Board supports this legislation.

PassPensionReform.org is preparing a national petition that will be submitted to Congress and the President demonstrating that increasing retirement savings is a critical priority for working Americans. Supporters may visit ([www.passpensionreform.org](http://www.passpensionreform.org)) to learn more about pension reform and sign the electronic petition. Once signed, your name will be forwarded to North Dakota's congressional delegation.

Please join the grassroots effort to urge Congress to pass pension reform legislation this year.

## TFFR RECEIVES FAVORABLE IRS DETERMINATION LETTER

On January 29, 2001, TFFR received a favorable determination letter from the IRS regarding its qualified status. Although governmental retirement plans like TFFR are not required to do so, receiving a favorable determination letter from the IRS is an added measure of assurance that plan provisions conform to IRS requirements so TFFR can continue receiving favorable tax treatment.



# CAN MY BENEFICIARY RECEIVE DEATH BENEFITS?

Your TFFR retirement plan provides survivor/death benefit protection for your designated beneficiary. In order for you to select who should receive survivor benefits in the event of your death, you should designate a beneficiary in writing. If you are married, you must name your spouse as beneficiary or provide written spousal consent to name an alternate beneficiary. If you are not married, or if you have written spousal consent, you may name any person(s), organization, or charity as your beneficiary. You may also name a contingent beneficiary.

In the event of your death, survivor benefits will be paid to your designated beneficiary. However, if you have not designated a beneficiary in writing, death benefits will be paid to your surviving spouse, surviving children, or estate according to state statutes.

Death benefit options available to your beneficiary are as follows:

Non-vested member  
(less than 3 years of service)

- Refund of account

Vested member  
(3 or more years of service)

- Refund of account value
- Monthly payment for 60 months
- Monthly payment for life (not available if more than one beneficiary is named)

How important is it to keep your beneficiary designation updated? Let me tell you a story.

*Jane Teacher began teaching in 1982. At that time, Jane was single and named her parents as her beneficiaries on her TFFR account. In 1990, Jane married and had two children. On January 7, 2001, Jane died in an automobile accident.*

*Since Jane did not change her TFFR beneficiary designation, her parents are entitled to a lump sum payment of her TFFR account value or they can receive a monthly payment for sixty months equal to Jane's single life annuity amount. If Jane would have named her husband as her primary beneficiary, he would have been entitled to the lump sum refund, or the sixty monthly payments, and in addition, he would have had the option of receiving a reduced monthly annuity for the rest of his life.*

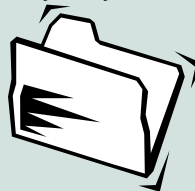
## CONFIDENTIAL RECORDS

### *What you should know...*

Some of you have telephoned the TFFR office and have been surprised to learn that making an address change or attaining your account value can not be handled over the telephone.

To protect your privacy, records relating to your TFFR retirement benefits are confidential and are not public records. Although approval of House Bill 1101 expanded access, release of confidential member information is still very limited. Your retirement information and records may only be disclosed to:

- A person to whom you have given written consent.
- A person legally representing you.
- A person authorized by the court.
- A member's participating employer, limited to information concerning your years of service credit, age, employer and employee contributions, and salary. Any information provided to your employer must remain confidential.
- Staff of the Public Employees Retirement System to determine membership and benefits.
- State and federal agencies to validate your eligibility or an employer's compliance with state and federal law.
- Member interest groups approved by the TFFR Board, limited to information concerning a member's death.



The Annual Statement you receive each August includes your designated beneficiary and an estimate of the survivor benefits available on your account. Please take a few minutes to review this important information and contact a TFFR Benefits Specialist if you need to update your beneficiary designation.

### Check Out our Website!

The Retirement and Investment  
Office (RIO) web site at

**[www.discovernd.com/rio](http://www.discovernd.com/rio)**

provides easy access to  
information about your retirement  
plan, investments, publications,  
forms, and a lot more.  
Visit us soon!

# Retiree Employment Provisions Expanded

Approval of House Bill 1101, Senate Bill 2180, and receipt of a favorable IRS determination letter which made 1999 retiree employment provisions effective, have expanded the options given retirees to return to TFFR covered employment. Because of the impact returning to work could have on your TFFR retirement benefits, we strongly encourage retirees who are considering employment to contact our office to discuss all of your options.

After you retire, you may return to TFFR covered employment under certain employment limitations. The limits apply to TFFR covered employment which includes teaching, supervisory, administrative, or extra-curricular services in a ND public school or state institution covered by TFFR.

The retiree employment limits DO NOT apply to:

- Substitute teaching (non-contracted)
- Teaching in public colleges and universities
- Teaching in private schools
- Employment outside of education
- Employment outside of ND

To help you determine which return to work option best suits your needs; you should consider the following questions:

- How long have I been retired?
- How long do I plan to work?
- Do I plan to work full or part time?

Please also keep in mind that in order to be eligible to retire and receive TFFR monthly retirement benefits, you must resign from your position and complete the necessary TFFR paperwork. Then, after the applicable waiting period (if any), should you decide to return to work, both you and your employer must notify TFFR by completing an "Employment of a Retired Member" form.

## RETIREE RETURN TO WORK SUMMARY

Retiree Return to Work Limitation	Waiting Period Required (Break in Service)	Length of Employment	TFFR Benefit Continued	TFFR Employee & Employer Contributions Paid	TFFR Benefit Amount Recalculated
<b>General Rule –</b> 700 hours or less	30 days from retirement	Unlimited	Yes	No	No
<b>Exception A:</b> Critical shortage areas determined by ESPB  Over 700 hours	One Year-if your retirement date is after 1/1/01  None-if your retirement date is on or before 1/1/01	Dependent upon annual approval and verification of critical shortage area	Yes	No	No
<b>Exception B:</b> Educational foundation donation  Over 700 hours	None  You must still resign from your position before drawing TFFR benefits	One year only	Yes	Yes  Both employer and employee contributions paid by the employer on the full salary	No
<b>Exception C:</b> Benefit suspension and recalculation  Over 700 hours	30 days from retirement date	Unlimited	No  Benefit suspended after 700 hours is reached	Yes  Employer and employee contributions paid on the salary earned after 700 hours	Yes  Recalculation based on the number of additional years of service

## GENERAL RULE – 700 HOUR LIMIT

After 30 days elapse from your retirement date, you may return to TFFR covered employment for a maximum of 700 hours in a fiscal year (July 1 – June 30). You will continue to receive your monthly retirement benefits; employer and employee contributions will not be paid to TFFR; and your monthly TFFR benefit amount will not be affected.

*Example: Jane Teacher retires July 1, 2001 and begins collecting monthly TFFR retirement benefits. On August 1, she signs a contract with a North Dakota school district to work for 700 hours during the school year (4 hours/day for 175 days). With the exception of substitute teaching, all compensated hours count toward the 700-hour limit. Jane receives salary from the school district for the part time employment, but no retirement contributions are paid to TFFR. Jane continues to receive her monthly TFFR retirement benefit while teaching part time.*



# Retiree Employment Provisions Expanded (2)

## EXCEPTION A— CRITICAL SHORTAGE AREA

You may return to TFFR covered employment in an approved critical shortage area and exceed the 700-hour limitation without losing your retirement benefits. If you retired on or prior to January 1, 2001, no waiting period is required. However, if your retirement date is after January 1, 2001, a one-year waiting period is required before you can consider this option. You may perform non-contracted substitute teaching during the one-year waiting period. Critical shortage areas will be determined by the Education Standards and Practices Board (ESPB) by rule. Each year, you must re-apply for this exception and receive verification that it remains a critical shortage area. Like the General Rule, you will continue to receive your monthly retirement benefits, employer and employee contributions will not be paid to TFFR, and your monthly TFFR benefit amount will not be affected. This option expires on July 31, 2005.

## EXCEPTION B— EDUCATIONAL FOUNDATION DONATION

You may also return to TFFR covered employment with no waiting period for one year only and exceed the 700-hour limitation without losing your retirement benefits. However, you must resign from your teaching position and complete the necessary retirement paperwork to begin TFFR benefits. Under this option, you may then return to work, earn an additional salary from the school district, and donate at least one half of your salary to an educational foundation (nonprofit or charitable organization under Section 501(c)(3) of the Internal Revenue Code). Your employer must pay both the employer and employee contributions to TFFR on your full salary (including the amount you donated to an educational foundation). This option expires on July 31, 2005.

*Because of the tax implications involved in donating one-half of your salary to an educational foundation, you should also contact your tax advisor for assistance.*

## EXCEPTION C— BENEFIT SUSPENSION AND RECALCULATION

After 30 days elapse from your retirement date, you may return to TFFR covered employment and exceed the 700-hour limitation. Under this option, your TFFR benefits will be suspended the first of the month following the month you reach the 700-hour limit. At that time, employer and employee contributions must be paid on any salary earned after the 700 hours based on your employer's TFFR payment model. Upon your re-retirement your benefits may be recalculated. If you re-retire with:

- Less than 2 years of additional earned service credit – receive discontinued benefit plus benefit increases granted during the benefit suspension and a refund of any additional employee contributions paid plus interest
- 2-5 years – greater of the discontinued annuity, plus additional years at the new multiplier, plus benefit increases granted during the suspension OR all the years recalculated at the new multiplier, less an actuarial offset for the amount of benefits already paid
- 5 or more years – greater of the calculation above or the retirement benefit recalculated using all the years at the new multiplier with no actuarial offset.

*Failure to notify TFFR in writing that you have exceeded the 700-hour limit will result in the loss of one month's annuity benefit.*



***Because of the impact returning to work could have on your TFFR retirement benefits, we strongly encourage retirees who are considering employment to contact our office to discuss all of your options.***

## On Your Mark...

- Contact a TFFR Benefits Counselor to calculate your benefit options.
- If married, discuss benefit options with spouse.
- Schedule appointments to discuss your retirement plans with your financial planner, tax advisor, insurance agent, attorney, and Social Security representative.
- Evaluate options for health insurance coverage.
- Notify the school district of your intent to retire.

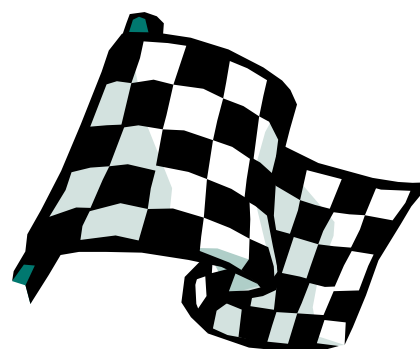


## Get Set...

- Since 2001 is a legislative year, if your last day of employment is in May 2001, you may elect to retire on June 1 under the 1.88% multiplier and receive the retiree raise on July 1, OR you can forfeit your June benefit and retire on July 1 under the 2.0% multiplier. You should compare retirement benefit estimates using both a June 1 and July 1 retirement date.
- Once you determine your retirement date, submit a Notice of Termination form to TFFR with copies of: proof of your age, proof of your beneficiary's age, current year teaching contract, extra pay documentation, early retirement agreement OR letters of resignation and acceptance, and a current Social Security benefit estimate (if you are considering the level income option).
- TFFR will review your salary history, service credit, and benefit information and send the following forms for your signature: enrollment for retirement benefits, designation of beneficiary, income tax withholding, and direct deposit authorization.

## Retire!

- Select your benefit payment option on the retirement enrollment form (if married, your spouse must also sign). Then have your signatures notarized, and return all of the retirement payroll forms.
- If all forms are returned by July 15, benefits will be paid August 1, retroactive to your retirement date. Retirement benefits will be directly deposited to your bank account on the first working day of each month.
- Enjoy your well-deserved retirement.

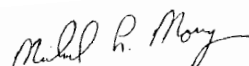


### Public Pension Coordinating Council Public Pension Principles 2000 Achievement Award

Presented to  
**North Dakota Retirement & Investment Office**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of*  
Government Finance Officers Association (GFOA)  
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

  
Michael L. Mory  
Chairman

## TFFR RECEIVES AWARD

For the fifth time, the ND Teachers' Fund for Retirement has received the prestigious Public Pension Principles Achievement Award. This award is designed to recognize and commend public employee retirement systems that adhere to high professional standards.

TFFR qualified for this achievement award based on compliance with specific principles in the areas of benefits, actuarial valuations, financial reporting, audits, investments, and disclosure to plan members and the public.

# 2001-2002 TFFR Outreach Schedule

## BENEFITS COUNSELING SESSIONS

Individual 30-minute benefits counseling appointments are available to all members to discuss TFFR benefits and other retirement concerns. Call 701-328-9886 or 800-952-2970 to schedule an appointment today.

Oakes	September 5, 2001
Jamestown	September 6, 2001
Grand Forks	September 18-19, 2001
Park River	September 20, 2001
Rolette	September 26, 2001
Langdon	September 27, 2001
Elgin	October 11, 2001
Linton	October 23, 2001
Washburn	October 25, 2001
Steele	October 29, 2001
Harvey	November 20, 2001
Dickinson	November 29, 2001
Fargo	December 5-6, 2001
Williston	January 9, 2002
Tioga	January 10, 2002
Bismarck	January 15-16, 2002
Minot	January 22-23, 2002
Mohall	January 24, 2002
West Fargo	February 12-13, 2002
Bowman	February 26, 2002



*Pre-retirement seminars were well-attended in both Bismarck (above) and Wahpeton (below).*



## PRE-RETIREMENT SEMINARS

The six-hour pre-retirement planning seminars cover TFFR benefits, financial planning, estate planning, Social Security benefits and health insurance. The seminar is conducted over two days from 4 pm to 7 pm each day. To register, complete and return this form.

Please select one:

- ☐ Williston – November 14-15, 2001      ☐ Fargo – January 30-31, 2002  
☐ Minot – November 26-27, 2001      ☐ Grand Forks – February 6-7, 2002

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Home phone: \_\_\_\_\_ Work phone: \_\_\_\_\_

Will your spouse/guest be attending? ☐ Yes ☐ No

If your spouse/guest is also a teacher, please provide SSN: \_\_\_\_\_

Mail to: ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100



# TFFR APPROVED LEGISLATION AT A GLANCE

## HB1102

- Increases the benefit multiplier from 1.88% to 2.0% for future retirees.
- Provides a post-retirement benefit increase for current retirees including:
  - Conditional annual benefit adjustment (CABA) of 0.75% times the retiree's current monthly benefit (payable on 7-1-2001 and 7-1-2002); and
  - \$2 multiplied by the retiree's years of service plus \$1 multiplied by the number of years since the member's retirement (payable 7-1-01).

## SB2180

Allows retired members who have been receiving a retirement benefit for at least one year to return to TFFR covered employment without loss of their TFFR benefits in critical shortage areas as determined by the Education Standards and Practices Board.

## HB1101

- Clarifies the definition of "contract" and "teacher."
- Allows limited disclosure of certain retirement information to a member's employer, state and federal agencies, and member interest groups approved by the TFFR Board (limited to information concerning a member's death).
- Modifies retiree return to teach provisions.



NORTH DAKOTA  
RETIREMENT AND  
INVESTMENT OFFICE  
Teachers' Fund for Retirement  
State Investment Board  
1930 BURNETT BOAT DRIVE  
P.O. BOX 7100  
BISMARCK, ND 58507-7100



PRESORTED  
STANDARD  
US POSTAGE  
**PAID**  
PERMIT NO. 325  
BISMARCK, ND  
58501